
THE GLOBE AND MAIL **HD** **Complacency on climate change is 'the larger gamble' for corporations****BY** Jameson Berkow**WC** 1,202 words**PD** 11 February 2021**SN** The Globe and Mail (Breaking News)**SC** GMBN**LA** English**CY** ©2021 The Globe and Mail Inc. All Rights Reserved.**LP**

Pledges to go carbon-neutral, once billed as bold acts of environmental leadership, are now key to maintaining a competitive edge across many sectors

Plans to combat climate change are quickly evolving from nice-to-have to necessary for survival in the corporate world.

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"We have entered a phase where staying with the status quo is now the larger gamble," says Matthew Hoffman, a political-science professor at the University of Toronto and co-director of its Environmental Governance Lab.

"The entire business environment is now climate-constrained. There are enough trend lines in terms of market signals, policy signals and social signals that we should be seeing more announcements" around net-zero emission.

He points to examples such as Ford Motor Corp.'s pledge last summer that it would power all of its manufacturing plants with only locally sourced renewable energy by 2035. The company also vows to be carbon-neutral globally by 2050.

More recently, General Motors Co. said it would only sell zero-emission vehicles by 2035 and plans to be carbon-neutral across its global supply chain and product lineup by 2040. It also signed the Business Ambition Pledge for 1.5°C, an urgent call to action from a global coalition of UN agencies, business and industry leaders.

"General Motors is joining governments and companies around the globe working to establish a safer, greener and better world," GM chief executive officer Mary Barra stated. "We encourage others to follow suit and make a significant impact on our industry and on the economy as a whole."

Isabelle Turcotte, federal policy director for clean-energy think tank the Pembina Institute, says a strong climate plan "is increasingly becoming the same thing as having a strong business plan."

Adds Ms. Turcotte, "We are in a position now where our major corporations really need to position themselves to be globally competitive with their environmental standards. You just can't talk about the cost of climate action anymore without also talking about the cost of inaction."

Failure to move fast enough could leave Canadian companies unable to access major export markets, warns Chris Bataille, an adjunct professor at Simon Fraser University in Vancouver.

"Markets that are implementing net-zero policies first are going to start erecting trade barriers fairly rapidly in order to protect their own industries," says Dr. Bataille, who is also a researcher at the Paris-based Institute for Sustainable Development and International Relations.

Those barriers, often referred to as "carbon border adjustments" or "carbon tariffs," are effectively a tax on carbon-intensive imports. The European Union has been among the most vocal proponents of them to avoid so-called carbon "leakage," whereby heavily emitting businesses can simply relocate from jurisdictions with high environmental standards. Carbon border adjustments would eliminate that incentive.

"My initial guess was that this would start in the late 2020s, but now I wouldn't be surprised if there are fairly significant carbon-price barriers in place by 2025 at this point," Dr. Bataille says. "So, for companies not moving fast enough towards net-zero, a lot of big markets may simply not be available to them. Those markets could even include China. It will definitely include Europe, and the United States is now heading in that direction as well, so [net-zero] is just about plain old survival at this point."

For the North American auto sector in particular, Dr. Bataille says the recent moves from Ford and GM show the industry is learning from its history.

"In the 1970s, Japanese cars were considered sub-par, but by the 1980s, they were better than American cars, and the Americans had to put trade controls on them to prevent the Japanese from basically wiping out the Big Five," he says. "That same dynamic is going to continue playing out over the next decade with electric cars coming from China. Right now, we might call them sub-par, but very soon if our domestic manufacturers are not up to a sufficient level of quality, they will not be able to hold off competition from China."

The recognition of climate action as a corporate necessity is expanding well beyond carbon-intensive companies and is even making its way into the small-business community, says Priyanka Lloyd, the executive director of Green Economy Canada.

"Over the past couple of years, there has been an explosion of interest in net-zero," says Ms. Lloyd. "We are seeing companies like IKEA saying they want to be climate-positive by 2030, Unilever wants to be net-zero by 2039, and even Schneider Electric wants to be carbon-neutral by 2040. They are all saying this is no longer a nice-to-have; it's an imperative."

At IKEA, for instance, there's a commitment to halve "absolute net GHG emissions" from its value chain by the end of the decade by "drastically reducing GHG emissions and removing and storing carbon from the atmosphere," the company states.

Lena Pripp-Kovac, chief sustainability officer at the Inter IKEA Group, the company that controls the IKEA brand, says the transformation will be challenging but necessary.

"The ambitions and commitments are quite bold, but it's based on the science," Ms. Kovac told Fast Company last year.

Ms. Lloyd's organization, which operates regional hubs across Canada to help small- and medium-sized businesses with their own low-carbon transitions, says cost savings are a key driver for many companies.

She cites the example of one Ottawa-based lighting company that replaced its two aging trucks with electric vehicles, saving it about \$2,000 per year in fuel costs. Ms. Lloyd says the company is also hearing a lot more about environmental issues from its employees.

"That is something we are hearing from others across the network as well; that businesses want to be an employer of choice and [having a strong climate policy] is one way of helping them do that," Ms. Lloyd says.

Once businesses start to recognize environmental initiatives can actually boost their bottom lines, Ms. Lloyd says they will no longer need to be incentivized to move towards net-zero.

"It opens up a whole new set of conversations with that business; they become primed to ask, 'What else can we do?' and it becomes an internally driven motivation at that point," she says. "There is a culture

shift that happens where it starts to feel like an opportunity as opposed to something where they are just being dragged along."

The basic rules of capitalism will eventually force still-reluctant companies to commit to a low- or no-carbon future, says Pembina's Ms. Turcotte.

"At the end of the day, this is going to be about attracting global capital," she says. "There is a race on now to attract that capital, and obviously Canada needs to be positioning itself to get a piece of that pie."

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